



Legislative Department Seattle City Council Memorandum

Date: April 20, 2011

To: Parks & Seattle Center (P&SC) Committee Members

From: Sara Belz, Legislative Analyst, Council Central Staff

Subject: **Council Bill (CB) 117157:** Lease agreement for proposed Chihuly garden exhibition at Seattle Center

Background

At the April 7, 2011, P&SC Committee Meeting, Seattle Center staff briefed Committee members on the content of a proposed lease agreement between the City and Center Art, LLC. If executed, that lease agreement would allow Center Art to develop a glass and gardens exhibition at Seattle Center that would feature the work of Dale Chihuly.

After the April 7 briefing, Committee members identified components of the agreement that were of particular concern to them and asked Seattle Center staff to renegotiate those elements of the lease (see p.3 of this memorandum). Seattle Center and Center Art successfully completed those renegotiations during the week of April 11 and the lease agreement and its authorizing legislation were introduced at the April 18 Full Council meeting as CB 117157.

Although CB 117157 was just introduced this week, public conversations about the possible placement of a Chihuly garden exhibition at Seattle Center have been ongoing for about a year. In April 2010, Seattle Center issued a Request for Proposals (RFP) for the redevelopment of the south Fun Forest site and received nine responses. A citizens review panel evaluated the submitted responses and ultimately determined that the proposal for a Chihuly garden exhibition would provide the greatest benefit to Seattle Center.

Summary of Lease Agreement

CB 117157 would authorize the Seattle Center Director, on behalf of the City, to execute a lease agreement with Center Art, LLC, related to the construction and operation of a Chihuly garden exhibition at Seattle Center. The key terms of the agreement are summarized in the table below.

Project Site	<ul style="list-style-type: none">The Chihuly garden exhibition would occupy about 59,000 square feet of the former south Fun Forest site. The space would be used for exhibit space, gardens, a retail shop, and a café. A small existing building (about 850 square feet) near the monorail station would also be used for retail space.
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	<ul style="list-style-type: none"> Center Art would make landscaping and pedestrian improvements to approximately 39,000 square feet of property that is located on the Seattle Center campus but outside the boundaries of the Chihuly garden exhibition area. (See area between the red and green lines on the attached site plan.)
Lease Term	<ul style="list-style-type: none"> The lease would have an initial term of five years. Center Art would have the option of extending the lease for up to five additional five-year terms. The initial lease term would commence on the date Center Art receives demolition, clearing, and grading permits from the City and takes possession of the leased premises.
Rent Payments	<ul style="list-style-type: none"> During construction, Center Art would pay \$10,000 per month in rent. Center Art would pay annual rent of \$350,000 during the initial five-year lease term (expected to commence in early 2012). Center Art's annual rent would increase to \$500,000 starting in year six. Beginning in year 7, annual Consumer Price Index (CPI) adjustments would be applied to Center Art's annual rent (capped at 10% for any five year term). Starting in year 6, the City would also collect 8% of the net proceeds from sales of Chihuly fine art that occur at the Seattle Center exhibition site.
Public Benefits	<ul style="list-style-type: none"> Center Art would donate \$1 million to fund a children's play area at Seattle Center and provide \$50,000 per year for maintenance. As is noted under "Project Site," above, Center Art would make landscaping and pedestrian improvements to approximately 39,000 square feet of property that is located on the Seattle Center campus but outside the boundaries of the Chihuly garden exhibition area. Together with other resident organizations at Seattle Center, Center Art would work to create a regularly scheduled free admission event at Seattle Center. Center Art would annually make available a minimum of 10,000 complimentary tickets as a part of these events.
Community Partners	<ul style="list-style-type: none"> For the duration of the first five-year lease term, Center Art would work with the following community partners to support arts education and fundraising activities: Seattle Public Schools, Pilchuck Glass School, Pratt Fine Arts Center, and Arts Fund. Beginning in year six, Center Art would collaborate with at least two community partners, including one arts-oriented organization and one education-oriented group.

Council-Initiated Amendments to Proposed Lease Terms

Following the April 7 P&SC Committee meeting, Committee members identified four components of the proposed lease agreement between the City and Center Art that they wanted renegotiated prior to Council introduction of any authorizing legislation. Those four components are as follows:

1) Non-compete language related to the display or sale of works by Pacific Northwest glass artists on the Seattle Center campus.

The version of the lease agreement that Seattle Center presented to the P&SC Committee on April 7 included non-compete language that would have prohibited the display or sale of almost all non-Chihuly glass art on the Seattle Center campus. (Exceptions were provided for small souvenirs and memorabilia, and glass artworks that are sold on the campus during festivals and short-term exhibitions.) At Committee members' request, Seattle Center worked with Center Art to renegotiate the non-compete language and revise the lease agreement to allow Seattle Center to operate a gallery on the campus that would feature the work of Pacific Northwest artists, including glass artists other than Chihuly. The version of the lease agreement that is attached to CB 117157 incorporates this requested change; however, it would not give Seattle Center the authority to sell glass artwork in the gallery space. Although other forms of art could be offered for sale in the gallery, glass art could only be displayed.

Licata Amendment

An amendment proposed by Councilmember Licata is attached to this memorandum and printed on lavender paper. The amendment would revise Section 11.5 of the lease agreement between the City and Center Art to allow for the sale of glass artwork in the proposed gallery space described above.

2) Liquor license language.

The Experience Music Project's (EMP) currently holds a full liquor license. When the EMP's lease was executed in 1997, the City agreed to exclusivity terms that put limits on the number of similar licenses that could be issued on the Seattle Center campus. Because Center Art would now like to acquire a full liquor license for the glass and gardens exhibition, and because some of the restaurants that will open in the renovated Center House in 2012 will likely desire the same, Seattle Center and EMP are currently in negotiations to open up the exclusive nature of EMP's liquor license.

The version of the Chihuly garden exhibition lease agreement that was presented to the P&SC Committee on April 7 would have allowed the amount of Center Art's rent payments to be reduced until EMP's liquor license exclusivity is successfully renegotiated. Although renegotiating the terms of EMP's liquor license is a priority for Seattle Center, conversations are still ongoing and the issue remains unresolved. Understanding this, Committee members asked Seattle Center to work with Center Art to remove the language in the proposed lease agreement that would allow for a reduction of Center Art's annual rent until the exclusive terms of EMP's liquor license are successfully renegotiated. Seattle Center and Center Art agreed to

Committee members' request and removed all such language from the version of the lease that is attached to CB 117157.

3) *Council oversight of tenancy changes at exhibition site.*

In addition to entering into a lease agreement with the City, Center Art also intends to enter into a business agreement with Dale Chihuly's company, Chihuly, Inc. The version of the lease that Seattle Center referred to at the P&SC Committee on April 7 stated that if the agreement between Chihuly and Center Art were terminated, Center Art would be entitled to use the exhibition site "for other similar uses reasonably compatible with the Seattle Center's mission and programs subject to the [Seattle Center] Director's written approval." Committee members asked Seattle Center to expand the scope of this language to include the provision of prior written notification to the Council before any new tenants or replacement uses are brought to the site. Seattle Center and Center Art agreed to the Committee's requested change and the lease was subsequently amended prior to the introduction of CB 117157.

4) *Council oversight of community partner agreements.*

Beginning in year 6 of their lease, Center Art will be required to collaborate with two community organizations on various arts- and education-oriented activities. (In years 1 through 5, Center Art will partner with four such groups, all of which are identified in the lease agreement.) The version of the lease agreement that Seattle Center referred to at the P&SC Committee on April 7 would have allowed Center Art to select these partner organizations and enter into agreements with them without consulting the Council. Committee members requested that this language be revised in order to require prior written notification of the Council before Center Art finalizes any community partner agreements in year 6 and beyond. The version of the lease agreement that is attached to CB 117157 incorporates this requested change.

Next Steps

If the Committee does not take action on CB 117157 at its April 21 meeting, the Committee's next opportunity to vote will be on May 5.

If you have any questions or concerns about the content of the proposed lease agreement, please feel free to contact me at any time (sara.belz@seattle.gov / 4-5382).